Distr.
GENERAL

IDB.23/3/Corr.1
PBC.16/4/Corr.1
15 August 2000

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Twenty-third session
Vienna, 14-16 November 2000

Programme and Budget Committee

Sixteenth session
Vienna, 4-5 September 2000
Item 3 of the provisional agenda

REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1998-1999 ended 31 December 1999

Corrigendum

Replace page 11 by the text appearing overleaf.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

18. Management believes that there are some positive indicators for Mem States' willingness to fund Integrated Programmes. It underlined that mobilization of funds for technical co-operation activities is the responsibility of the Secretariat and Member States and that the extre downsizing of UNIDO had reduced the capacity both to mobilize funds an implement projects.

In the same time period, funding by UNDP has decreased by 82% mainly due to the introduction of national execution,

19. The following remarks relate to the different funds financed by volun contributions.

- **UNDP** has traditionally been a major partner and source of funding UNIDO. With the promotion of national execution by UNDP, this relation has changed drastically. The funds UNIDO received from UNDP and UN trust funds have decreased from US$ 195.5 million in the biennium 19 1991 to US$ 34.6 million in the biennium 1998-1999. This represents a d of over 82%. The letter of agreement between UNIDO and UNDP, signed 31 October 1998, should have marked a new positive signal between the organizations. However, contrary to all expectations, contributions f UNDP to UNIDO's projects continued to decrease in 1999.

Trust Funds expenditures dropped by 69%, expenditures in the Industrial Development Fund decreased by 66.1% whereas the Montreal Protocol activities have increased and Regular Programme expenditures have decreased to 73.1%.

- The expenditures financed from **Trust Funds** dropped from US$ 70. million in the biennium 1992-1993 to US$ 21.806 million in the bienn 1998-1999. This represents a decrease of 69%.

- The accounting system of the **Industrial Development Fund** and **Montreal Protocol Fund** was changed from accrual to cash basis a 1 January 1998 in order to streamline procedures and to make reportin donors more transparent and user-friendly. Due to this change the finan statements cannot be compared directly with previous bienniu Nevertheless, I noted that contractual services increased considerably in last biennium. This is due to an increase of the implementation rat Montreal Protocol projects in the biennium 1998-1999 and to the fact that contractual services represent a substantial part of the expenditures.

- The **Regular Programme of Technical Co-operation** (RPTC) is 73.1% RPTC for the biennium 1990-1991, owing to the reduction of the Reg Budget.

C. Special Account for Programme Support

20. The special account for programme support contains the reimbursem of the costs for programme support and administrative services for preparation and implementation of projects and other activities which provided by the various units of UNIDO. The following Table shows development of the special account for programme support: